

## Message Text

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ACTION ARA-10

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 0000

C O N F I D E N T I A L BUENOS AIRES 6194

E.O. 11652: GDS

TAGS: EINV, AR

SUBJECT: INVESTMENT DISPUTES

REF: (A) STATE 227032, (B) BUENOS AIRES 6113

1. EMBASSY CALLED REPRESENTATIVES OF U.S. COMPANIES WHICH  
STILL HAVE UNSETTLED INVESTMENT DISPUTES WITH GOA AND RECEIVED  
THE FOLLOWING ACCOUNTS OF THE STATUS OF THEIR CASES:

### A. OIL COMPANIES

-- EXXON REPORTED THAT NEGOTIATIONS WITH SPECIAL COMMISSION  
CONSIDERING EXXON CASE HAD BEEN PRECEEDING SLOWLY BECAUSE  
OF STRONG OPPOSITION BY ONE OF THE MILITARY MEMBERS OF THE  
COMMISSION. THE GOA APPEARED TO BE WORKING HARD TO  
REACH SETTLEMENT WHICH WOULD BE ACCEPTABLE TO ALL CONCERNED.  
DESPITE DELAY, EXXON REP WAS OPTIMISTIC THAT GOA WOULD IN  
THE END APPROVE A SOLUTION ALONG THE LINES OF THE ITT CASE.  
HE SAID SECRETARY OF ENERGY ZUBARAN HAD INFORMED HIM THAT A  
DECISION ON EXXON WOULD BE REACHED BEFORE THE END OF SEPTEMBER.

-- CITIES SERVICES REP SAID THAT HE DID NOT BELIEVE HIS  
COMPANY'S CASE HAD EVEN BEGUN TO BE CONSIDERED. HE SAID  
HE BELIEVED THE GOA WOULD HAVE TO REACH DECISION ON  
EXXON AND SHELL BEFORE TURNING TO THE CASES OF THE SMALLER  
COMAPNIES. REP ADDED, HOWEVER, THAT HIS COMPANY WAS NOT  
TOO CONCERNED BY THE DELAY IN CONSIDERATION OF ITS CASE  
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AND THAT IN REALITY IT DID "NOT EVEN CONSIDER IT AN

INVESTMENT DISPUTE." (ATTITUDE IS EASILY EXPLAINED BY FACT THAT CITIES SERVICES' MARKETING OPERATIONS WERE MINOR).

B. BANKS

THE LEGISLATIVE ADVISORY COUNCIL (CAL) IS CURRENTLY REVIEWING A LAW ABROGATING THE PERONIST LAW NATIONALIZING SOME FOREIGN-OWNED BANKS. WHILE THE LAW IS VIEWED FAVORABLY BY MORGAN GUARANTY, CHASE MANHATTAN AND CITIBANK ARE RESERVING JUDGMENT.

-- LAWYER FOR CHASE MANHATTAN SAID THAT THE SPECIAL COMMISSION HAD CONCLUDED ITS WORK WITHOUT RESOLVING OUTSTANDING DIFFERENCES WITH THE BANKS. ITS RECOMMENDATIONS WERE OF A BROAD NATURE AND EFFECTIVE COMPENSATION FOR DAMAGES WOULD HAVE TO BE WORKED OUT THROUGH SUBSEQUENT NEGOTIATIONS. LAWYER STATED THAT THE BANKS ARE WAITING FOR APPROVAL OF THE LAW AND THE APPOINTMENT OF A GOA OFFICIAL WHO WILL BE RESPONSIBLE FOR NEGOTIATING THE DETAILS AND THE FINAL SETTLEMENT. HE ADDED THAT CHASE DOES NOT WANT THE BANK TO BE RETURNED TO IT UNTIL IT KNOWS WHAT ITS FINANCIAL POSITION IS -- WHICH CAN ONLY BE DETERMINED THROUGH AN AUDIT.

-- CITIBANK REP SAID THAT LAW ABROGATING NATIONALIZATION OF FOREIGN-OWNED BANKS WOULD NOT RESOLVE CITIBANK INVESTMENT DISPUTE. CITIBANK STILL WANTS COMPENSATION FOR BAHIA BLANCA BRANCH LOSSES AND FOR THE SALE UNDER GOA PRESSURE OF ITS MAR DEL PLATA SUBSIDIARY. TO DATE, CITIBANK HAD NOT RECEIVED ANY CONCRETE PROPOSALS TO MEET THESE CLAIMS.

C. DELTEC

ARANDA, DELTEC ATTORNEY REPORTS THAT THE AND OTHER MEMBERS OF FIRM HAVE BEEN MEETING WITH DR. AJA ESPIL, WHO WAS ECON MINISTER MARTINEZ DE HOZ' CHOICE AS NEW LIQUIDATOR OF SWIFT ASSETS. THEY ARE DEVELOPING PLAN FOR SALES OF ASSETS WHICH WILL AFFORD BEST PROTECTION FOR SHAREHOLDERS AND COMPENSATION FOR CREDITORS. ARANDA WILL CONFER WITH DELTEC INTERNATIONAL PRESIDENT HOLBERG IN MONTEVIDEO THIS WEEK AND ALSO MEETING SEPTEMBER 22 WITH SECRETARY OF CONFIDENTIAL

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PROGRAMMING AND COORDINATION KLEIN.

ASIDE FROM PROGRESS ON LIQUIDATION, ARANDA ALSO BELIEVES THERE IS CHANCE THAT ARGENTINE SUPREME COURT MAY DECIDE IN FAVOR OF DELTEC APPEAL TO HAVE BANKRUPTCIES OF DELTEC ARGENTINA, SWIFT AND LA ESPERANZA SUGAR MILL DECLARED NULL AND VOID. SUCH A DECISION, WHICH IF TAKEN WOULD MAKE SOLUTION OF PROBLEM MUCH SIMPLER, SHOULD BE TAKEN BY COURT WITHIN NEXT FEW

WEEKS.

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